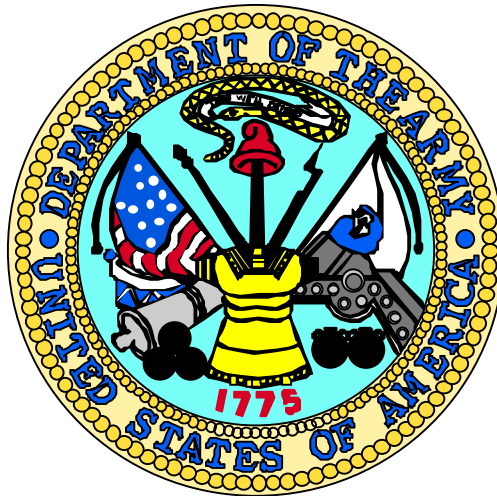


# **SYNOPSIS OF SIGNIFICANT INTERNAL REVIEW REPORTS**



## **Army Internal Review**

**... Changing to serve a changing Army!**

**Office, Assistant Secretary of the Army  
(Financial Management and Comptroller)**

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## **Research and Development**

***Utmost Advantage.*** The overall purpose of the audit was to assess the performance of the Command's Acting Program Manager for Utmost Advantage (APM-UA) in supporting the Department of the Army (DA) Consequence Management Program Integration Office (CoMPIO). The auditor reviewed data obtained from Command financial databases and databases created by the APM for the purpose of tracking UA dollars. The audit revealed that the APM-UA was appropriately managing UA funding. There were problem areas regarding equipment acquisitions and the Acquisition Management Plan; however, these problems were the result of inadequate or conflicting guidance on the part of CoMPIO. The audit identified areas of program management that needed improvement with the most significant area being the need for DA CoMPIO to provide improved guidance and to develop clear objectives and expectations for UA team members.

## **Procurement-Inventory Control Activities**

***Central Clothing Distribution Facility.*** This action was a value-added service for the Logistics Officer to review the processes of the new method to distribute clothing. The auditor identified a need for individual states to develop policies to offset the potential shortfalls in management controls of the new system. In addition recommendations of special reports rolled up and maintained at a central point be developed for the CSDP teams to use in assessing the effectiveness of the system and compliance with regulations and policies.

## **Procurement-Other**

### ***IMPAC Credit Card.***

- A judgmental sampling of IMPAC credit card holders were selected for review and site visits. It was determined that cardholders were making authorized purchases; however, some nonexpendable property was not recorded on the property books.

Approving officials adequately reviewed, approved and certified bills; however, monthly bills were not always forwarded to the paying office in a timely manner. Monetary Benefits: \$20,000.

- The main objective was to determine the current status and validity of outstanding credit card transactions. When a credit card request is generated in the Procurement Tracking System (PTS) and the cardholder sets the "Order Date," the funds for that transaction are obligated. If the transaction is invalid, the funds remain encumbered when they could be used for other purposes. The audit identified

\$160,239 of outstanding transactions. Many of them were identified during the audit as invalid and have since been deobligated.

- A review of the IMPAC credit card program was designed to determine if IMPAC cards were accounted for, management controls were in place and all purchases were legitimate. The review parameters were from October 1998 - March 1999. IR recommended that all non-expendable items be placed on the property books; instructed cardholders to maintain documentation on using mail order supply companies; and re-iterated that the IMPAC card shouldn't be used for travel purposes. It was also determined that in order to strengthen management controls, the Command's Cardholder guide should be revised and placed on the Intranet. In conclusion, total monetary benefits found were \$10,858.72.

- Internal Review's audit objectives were to determine: (i) whether the IMPAC Card was being used properly; (ii) if methods used for the timely processing of bills by the cardholders were sufficient and satisfied established requirements; and (iii) if controls were in place to ensure all durable and nonexpendable items purchased are reconciled with the Property Book Officers' records. The auditors found no improprieties during the audit of the Brigade's IMPAC Card Program. Controls are in place at this level of command to ensure the validity of transactions. Funding is governed and allocated by the Regional Support Command (RSC). A Control Number must be obtained from the RSC on every transaction when the IMPAC card is used. Cardholders process billing documentation in a timely manner as required by policy and the Property Book Officers are given the appropriate documents to add durable and nonexpendable items to the unit's Property Book.

- Another Internal Review office found significant discrepancies in the IMPAC Credit Card Program. Key Managers (Program Manager and Billing Officials (BOs)) did not ensure program compliance. Purchases were unauthorized. BO's were aware of improper/noncompliant transactions. Credit card dollar limits were excessive. Program Manager's surveillance reviews were limited. Command Logistics Review Team did not include review for IMPAC Credit Card Program compliance. The Program Manager's accounts maintenance records were inaccurate. Administrative and disciplinary procedures were not established. Some cardholders and BOs were not receiving program information and training schedules. Training of BOs and cardholders was inadequate. The IMPAC Credit Card SOPs needed updating. Cardholders did not have adequate supporting documentation. Cardholders were not reviewing purchases for price reasonableness and were not cost conscious. Cardholders and BOs did not ensure that purchases were authorized. Cardholders circumvented the \$2,500 single-purchase limit requirement. Cardholders were non-compliant with mandatory sources of supply and procurement requirements. Significant monetary savings could have been obtained with proper program execution. Monetary Benefit: \$40,800.

- Another audit of IMPAC Program found Approving Officials were not always reviewing and signing monthly statements of account. One of the strongest internal controls imbedded in the IMPAC Program is the requirement for cardholders' and



Approving Officials' signatures on all copies of the statement of accounts. Without the AO's review and signature, cardholders can process and pay unauthorized purchases.

- Internal Review's objective of this engagement was to evaluate the validity of selected IMPAC transactions with a specific vendor. IR found the cardholder used the IMPAC improperly to perform maintenance and repair services and, by splitting purchases, avoided ceiling limitations on purchases and construction services. IR also identified potentially duplicate work and charges in excess of reasonable hourly rates for services. Further investigation is ongoing and actual monetary benefits were not determined at the time of this report.

***Review of Government Commercial Credit Card Account, Recruiting and Retention Office.*** Results of IR's review showed the account records for the approving official were maintained in an exceptional manner and that program policies, procedures, and requirements were effectively followed and complied with. Although there were discrepancies noted in the documentation of transactions and payment of sales taxes, the number of instances were minimal and the approving official was aware of the discrepancies and had been taking ongoing action to correct or minimize the problem. The account manager had established a suspense file for transactions where field recruiters who received products or services had not obtained or forwarded receipts or invoices to the approving official to document purchases. Action had also been taken to obtain credit from vendors where sales taxes were inadvertently paid on some purchases.

***Copier vs Multiple Use Equipment.*** Internal Review auditors conducted research to determine whether multiple use machines capable of serving as copiers, printers, scanners and facsimile machines are available and capable of performing the functions required and researched purchase and operational costs. Audit results indicated that: (i) multiple use machines are digital and cost less to purchase than analog copiers currently in use; (ii) the volume of copies per machine will increase if copiers, printers and fax machines are replaced with leased cost per copy multiple use machines. Increased volume should reduce the cost per copy rate of 2.314 cents paid under the current copier lease; (iii) Hewlett Packard estimates toner cartridge cost of printing on a LaserJet printer to range from 1.47 to 2.29 cents per page, based on 5% coverage plus purchase and maintenance costs; (iv) the command would save the purchase and maintenance costs of printers, scanners or facsimile machines if cost per copy multiple use machines were leased; and (v) certain multiple use machines are also multiple task machines which are capable of processing multiple jobs/functions simultaneously. IR recommended that the command solicit cost per copy bids for the lease of multiple use machines when the current copier lease expires because of anticipated potential savings.

***Training Support Center and Space Mark Inc. Contract.*** Review to assess contract monitoring, cost and performance for the Space Mark Inc. contract was requested by the Deputy Director for Plans, Training, Security and Mobilization (DPTSM). Review of CORs and their files revealed poor management controls with incomplete

documentation. Documentation required by FAR, Defense FAR, Army FAR, Army Regulation, the Space Mark Incorporated contract, and Command DOC Letter of Designation were not found or were unavailable in the files reviewed. The execution of inspections and transmittal of inspection results were not found in files. Performance evaluation of the contractor was generated and provided but unsubstantiated by objective, documented achievements compared against a standard or benchmark. Reports required by the contract were not provided or found in the file records.

***Physical Fitness Centers.*** As a result of IR's review of the current custodial contracts, IR was able to determine that the contractors were not providing the most efficient and economical method of maintaining cleanliness of the Physical Fitness Centers. The custodial cleaning of the two Physical Fitness Centers cost the Command \$450,841 a year. Removing the Physical Fitness Centers from the custodial cleaning contracts has a potential to save the Command \$226,361 a year. Hiring nonappropriated fund personnel to perform the cleaning for both of these facilities appears to be in the best interest of the government and implements the best business practice espoused in the National Performance Review. Monetary Benefit: \$1,358,172.

***Printing/Duplication Processes.*** The audit was performed to determine if the controls over printing requests and payments were adequate. Overall, IR found that adequate guidance had been issued and the Defense Automated Printing Service (DAPS) was providing quality and timely printing and duplicating services. However, IR found areas that needed improvements.

- Installations did not always obtain DAPS estimates and ensure that costs did not exceed 110 percent of the estimate, in accordance with the local agreements.
- Installations did not ensure that the lowest price was received by determining if DAPS should produce the product in-house or out-source the work to the Government Printing Office.
- Installations did not always ensure that print requests were processed through DAPS in accordance with PL 105-85.
- Budget personnel and requesting activities did not always reconcile DAPS billings.
- The IMPAC card was not fully implemented for DAPS purchases.
- The Director of Information Management (DOIM), in conjunction with the local DAPS manager, had not developed print control officer training to ensure proper processing of reproduction requests and evaluation of DAPS products and prices.
- The installation DOIMs had not fully implemented their Service Level Agreements (SLAs) to ensure best prices and the SLAs needed revision to address how the reproduction program is to be monitored with the increased conversion to decentralized print management.

***Photocopier Needs Assessment.*** With outdated and inefficient photocopiers, management decided to procure new machines. IR's review concentrated on assessment of photocopier requirements for the installation. While management identified the need for 39 copiers, review found requirements could be achieved with 21.

Analysis reconfigured locations and options to more effectively meet installation requirements. Additionally, options to include FAX and LAN connectivity further increased productively and lowered costs. Monetary Benefit: \$250,216.

## **Contract Administration**

***Lear Siegler Contract Administration.*** The objective of the audit was to determine if use of Lear Siegler contract services provided under the Air Force Contract Field Team (CFT) concept was utilized within established procedural guidance and was cost effective. Results of the audit disclosed that the contract was utilized to augment the workforce and provided support for maintenance functions that were not inherently governmental. Use of the contract did not result in Command employees being displaced. However, the audit indicated use of contractual services was not cost effective. Inefficiencies could not be readily determined by audit due to the absence of internal controls established and applied for monitoring cost and oversight over actual man-hours worked by contract employees.

***Cooperative Funding Agreement, Mountaineer Challenge.*** Several findings and recommendations of this report identified material management control deficiencies as defined in the Federal Manager's Financial Integrity Act of 1982. IR discovered overpayments of \$109,053.25 in budget line limitations. IR also discovered an overpayment of \$40,470.93 due to the state exceeding the amount authorized for clothing allowed to be purchased for fully accepted cadets. IR found that the state was overpaid \$5,331.21 for cadet cultural trips. IR found the state was overpaid \$888.69 for personnel compensation for FY 97 and a projected overpayment for FY 98 of \$2,359.95. Monetary Savings: One time: \$8,120, Recurring \$8,120. Monetary Benefit: \$136,926.

***Services Contracts at Directorate of Contracting.*** The contracting operations, managed by the Directorate of Contracting, were generally determined to be adequate and responsive to obtaining supplies and services. Acquisitions appeared to be based on valid requirements and contract costs reflected adequate competition. However, improvements were needed in the areas of internal and management controls. IR determined government personnel did not adequately monitor contractor performance on a custodial service contract. The contractor for the custodial contract was not performing services in accordance with the terms and conditions of the contract. Incomplete cleaning has caused the government to pay for services not provided; is a waste of government resources; forces the government into the position of implied acceptance; and places the contractor in breach of contract for non-performance. Total potential monetary benefits: \$357,518.

***Audit of Contract Offloading Procedures.*** The audit was performed to determine the adequacy of procedures for ensuring that contract acquisitions were offloaded properly. The audit disclosed that improvements were needed in procedures for offloading acquisitions to non-Command contracting activities. Contract offloads were funded in

accordance with DA regulations; however, many offloads were not submitted to acquisition management office for review before being sent to non-Command contracting activities. Acquisition management office reviews ensure that: (i) acquisitions are made in accordance with legal guidelines; and (ii) supplies and services are acquired at reasonable prices. Since prescribed procedures were not followed, Economy Act offloads to non-DOD activities for \$916,500 of supplies and services were improperly processed and had to be cancelled. The cancellations occurred after the end of FY 98, resulting in Command being unable to use the deobligated OMA funds to satisfy valid FY 98 requirements. The audit also disclosed instances where offloaded acquisitions could have been processed at less cost by the contracting office. Because of the rapid turnover of personnel, action is needed to ensure that personnel involved in processing offloads are periodically reminded of prescribed offloading procedures.

### **Forces Management**

**AGR Audit.** The overall objective of this audit was to evaluate the acquisition, allocation, and use of AGR soldiers. The primary focus of the audit was to evaluate the accession processes used to assign and allocate new AGRs and to specifically determine if new AGR soldiers are effectively and efficiently allocated. Based on audit results, the auditors found the most qualified soldiers were offered positions and ordered to active duty in a timely manner, and were generally assigned to high tier units. Also, procedures to assign enlisted soldiers were adequate. IR's analysis showed 67% of initial AGR tour enlisted soldiers were assigned to a local unit, while only 32% of new AGR Officers were assigned to local units. The auditors felt initiatives should be developed to consider placing more officers at local units. This would result in monetary savings and greater soldier satisfaction. Strategic planning should include ways to conserve funds and only require PCS moves when necessary. The auditors recommended establishing selection variables when filling vacancies. These variables should consider geographical location when assigning newly accessioned officers to a local unit. This would result in approximately \$1.1 million in monetary benefits.

**TAG Organizational Redesign.** This review was undertaken at the request of the State Adjutant General. The Adjutant General was seeking a more efficient organizational layout, which would enable the State National Guard to respond to mission requirements and still retain the flexibility to meet unforeseen state/federal emergencies. The organizational structure in place at that time did not permit the National Guard to operate in today's military and state environment with the degree of confidence mandated by the Adjutant General. Internal Review was asked to redesign the organizational structure utilizing the most current and efficient business practices. Benefits to Management: The final product, a three dimensional organizational structure, will give command the flexibility to operate in today's dynamic setting and meet not only mission requirements but also retain the flexibility to respond to unforeseen federal and state emergencies.

## **Maintenance and Repair of Equipment**

***Audit of Management of Underground Storage Tanks.*** The audit verified the removal of non-compliant tanks, adequacy of leak detection, adequacy of spill and overfill protection, adequacy of corrosion protection and finally the required monthly monitoring of leak detection equipment. Daily fines of \$10,000 per non-compliant tank may have been charged to the installation by EPA.

## **Rebuild and Overhaul of Equipment**

***Air Foils (Seals) Used in the AGT 1500 Turbine Engine.*** The objective of the audit was to verify the accuracy of savings projected for Suggestion AMVA970105. The suggestion proposed nickel-plating seal surface to specifications for parts used on the AGT 1500 Turbine Engine. The depot AIEP Manager requested the validation. The scope of the audit included: (i) validation of suggestion implementation; (ii) identification of parts reclaimed; and (iii) verification of savings. The validation found that the suggestion was implemented on five of the nine parts and is presently being used on four of the five in Turbine Engine Support Branch (W/C 52C60). The audit validated net savings in the amount of \$234,462.19, with a tangible award of \$4,372.31 recommended. Audit savings of \$992 was recognized based on reduction of original suggested award.

## **Supply Operations - Retail**

### ***Accountability for Small Arms.***

- This Quick Response Audit determined the status of small arms accountability within the Major Subordinate Command (MSC). Overall, the auditors found the MSC accomplished 100% accuracy between weapons on hand and unit property books. A 95% accuracy rate was accomplished between DA records and weapons on hand. The auditors found administrative/paperwork discrepancies at all units audited, with only three units requiring immediate corrective action. Major findings included two weapons recorded in DA records but never recorded in unit records and not on hand: one weapon on hand with a one digit discrepancy between DA records and unit property book; one weapon with two different serial numbers at two places on the weapon (one matched DA records, the other was recorded in the unit Property Book, and neither was on record). Similar discrepancies between the Serialization officer's database and DA records as well as weapons just received but not yet reflected in DA or Command records were also found. Supporting documentation could not be found to determine why these discrepancies existed. The discrepancies are being corrected by the unit through their Battalion Headquarters and/or the Serialization Officer.

- The overall objective was to determine the accuracy of Divisional unit property books and the DA Central Registry as they relate to small arms on hand and, in

addition, determine the accuracy of night vision devices on hand to Divisional unit property books. The results were the accuracy rate for the DA Central Registry - number of correct entries as a percent of total entries - was 94.7 %. The accuracy for matching quantities of small arms and night vision devices recorded on the property book to those on hand was 100%. As of the report date, all units with discrepancies have initiated actions to correct the quantities and serial numbers of the small arms listed on the DA Central Registry. Recommendations were made that: (i) the IR section review the DA Central Registry lists and the property books in sixty days to ensure corrective actions have been taken; (ii) as part of the quarterly by serial number inventory of small arms weapons, all Divisional property book officers reconcile the DA Central Registry list with the property book and the weapons on hand; and (iii) G4 personnel review the above reconciliations as part of their Command Supply Discipline Program visits.

- Using guidance provided by higher headquarters, the auditors performed small arms accountability at the Major Subordinate Command (MSC). The auditors identified a 15% discrepancy rate between the DA Central Registry and the unit property books. The majority of these discrepancies were caused by transfers and turn-in of weapons documentation not being processed in a timely manner. Also, the MSC was not resolving discrepancies identified in the annual reconciliation with DA Central Registry records. The MSC has corrected a majority of the discrepancies and should have resolved the remaining discrepancies by the end of the year.

- This audit was a multilocation effort done by a Regional Support Command and its two subordinate Internal Review Offices. The objectives of this audit were to: (i) ensure a one hundred percent accuracy rate for matching quantities of small arms recorded on property books to small arms on hand; (ii) ensure a ninety percent accuracy rate for matching small arms on hand with the DA Central Registry; (iii) determine if responsible personnel were familiar with small arms control security, storage and issuing procedures; (iv) ensure that appropriate documentation was on file authorizing only limited access to restricted areas where weapons are stored and ensure the existence of key and other locking device controls; and (v) determine if required inventories were being conducted. The auditors selected 70% of the small arms and matched actual serial numbers against each unit's property book. The target goal of 100% accuracy of matching small arms on property books to small arms on hand was met. Furthermore, the ratio for matching small arms on the property book with the DA Central Registry was 94%. Small arms assigned to the selected units were all located and accounted for. Finally, the weapons are stored in authorized secured vaults. Discrepancies detected during the audit were reported to DCSLOG for appropriate action.

- The objectives of this audit were to match: (i) quantities of small arms recorded on property book to small arms on hand; and (ii) small arms on hand to the DA Central Registry. All 48 units reviewed had a 100% accuracy rate for quantities of small arms recorded in the Standard Property Book System-Redesign to those weapons on hand.

Furthermore, there was a 99% accuracy rate for matching small arms on hand to the DA Central Registry.

- The objective of the audit was to determine whether the quantities and serial numbers of the weapons on-hand agreed with property book records and the DA Central Registry. The auditors found the accuracy rates for serial number matches for inventories versus the property book records was 99.7%. While the serial number matches for the inventories versus the DA Registry was only 70.7%. The auditors found three primary causes contributing to this 70.7% discrepancy rate. First, TDA changes have resulted in the movement, or elimination, of the requirements and authorizations for some of the Major Subordinate Command's (MSC) small arms. Secondly, the MSC had four different supporting installations since 1993. Lastly, the unit reported problems associated with the SPBS-R.

***Inventory of Sensitive Items.*** Many factors contributed to the findings that positive control of inventory items was absent. Changes in assigned personnel, changing computer systems (ULLS, RCAS, and SARRS), and high OPTEMPO coupled with declining full-time manning in the units all contributed to a lack of attention to detail. Inventory numbers transposed, missing prefixes, and lack of secure storage facilities meant that weapons and sensitive comm gear were not properly accounted for in the unit inventory records. Monetary Benefit: \$3,124,000.

***CBS-X Reports.*** The purpose of this consulting report is to verify Continuing Balance System-Expanded (CBS-X) Reports for accuracy and correct authorizations. The auditors analyzed unit CBS-X reports and unit equipment records to ensure units were accurately accounting for the equipment they were authorized under their current Modified Table Of Organization and Equipment (MTOE) documents. They also verified if the units were meeting the semi-annual CBS-X validation suspense to the Logistics Support Activity (LOGSA) and, that the correct authorization and on-hand quantities were being reported correctly. The auditors made two recommendations. First, to develop procedures with the USARC-DCSLOG on the timely turn-in and transfer of excess MTOE equipment. IR identified approximately \$ 2,079,400 of excess equipment that was on hand at 24 units visited. Secondly, to ensure that management controls for reportable equipment under CBS-X are evaluated as part of the DCSLOG's MCP checklist evaluation for Fiscal Years 2000 & 2001. Monetary Benefit: \$2,079,400.

***Automation Equipment Accountability.*** An audit of automation equipment accountability was conducted. The auditors identified numerous accountability errors resulting in automation equipment valued in excess of \$27,000 that was not properly recorded on property records. The auditors also determined that the system of internal management controls was not effective as the controls in place did not prevent nor identify the accountability errors. The auditors recommended: (i) conduct a 100% inventory of automation equipment; (ii) initiate existing routine supply procedures for automation supply transactions; (iii) establish controls requiring that regulatory supply procedures apply to automation equipment in the same manner as other types of equipment; (iv) develop procedures to maintain accountability when equipment

maintenance and repair is performed; (v) accomplish coordination for the assignment of LIN/NSNs to eliminate duplication; (vi) record all automation equipment on property records by components and eliminate the systems currently used for some items. Benefits to Management: improved management controls; avoid violations of law and regulations; and improved system/process; proper property book accountability for automation equipment valued in excess of \$27,000.

**Quick Response Audit of Bulk Petroleum Accounting.** Management requested a quick response audit of petroleum accounting at the state training site. This was the result of a fuel leak in the storage system resulting in \$170,000 in clean-up costs. IR identified the root cause of the problem was a poorly designed storage system. Accounting procedures were adequate but the storage and issue facility was flawed. The designer did not include any expansion relief valves in the design and did not ensure the required review of the design by the COE was completed. As a result additional costs will be incurred to correct the faults in systems throughout the state. We also identified the fact that inappropriate materials were used to build the JP-8 storage facility.

**Base Transportation Activities.** Management requested a consulting service to identify ways to improve the operations in the base transportation flight. There were serious shortfalls in the internal controls system. IR assisted management in developing better methods to accomplish the administrative tasks. IR also identified a problem with accounting for vehicles that were turned into DRMO or transferred to another location. IR could not establish a clear audit trail for a number of vehicles turned in over the last three years. Accountability was lost and there was some uncertainty as to the actual disposition of the property. IR assisted management to establish a better procedure for tracking these transactions.

**Ammunition Accountability System.** IR founds the accountability system used by the Ammunition Supply Point (ASP) and the Combat Training Committee (CTC) does not provide reasonable assurance that all ammunition and residue are accounted for and controlled. Examination of the system disclosed: (i) changes were made to DA Forms 5515 (Training Ammunition Control Document) but were not initialed; (ii) changes were made to DA Forms 5515 after the ASP ammunition driver assumed accountability of the ammunition and residue; (iii) DA Forms 5515 are not completed by the individual turning in the ammunition and residue; (iv) estimated tare weights were used to compute the brass residue weight instead of actual; (v) brass residue weight is not verified when the residue is turned in to the ASP; and (vi) some of the quantities of live rounds and residue accounted for on DA Forms 5515 did not agree with the quantities turned in on DA Forms 581. IR also found that ammunition was not adequately safeguarded to prevent potential loss or destruction. Examination of the physical controls over the ammunition delivery system disclosed: (i) ASP was transporting more ammunition to the ranges than was ordered for that training event; (ii) CTC was ordering more ammunition than was needed for training; and (iii) the ASP drivers have no means of communication from the time they leave the ammunition holding area until they arrive at a range.



**RAAD.** A value-added service was performed to assist management in determining causes of delinquent RAAD reports. Audit resulted in the input of all delinquent reports, improved management controls, and an improved line of communications between the State NG and NGB organizations involved in the RAAD process.

**Standard Army Retail Supply System.** Material Handlers assigned as SARSS operators instead of Supply Technicians could lead to grade reductions. Managers did not analyze performance standards measured through SARSS so they did not achieve regulatory standards. The logistics operations would run more efficiently and economically by improving communications and teamwork. Procedures to research and follow-up pseudo receipts may be causing the organization to lose valuable assets. Monetary Benefit: \$17,000.

**Personal Property Accountability.** The primary focus for this Internal Review Office during FY 1999 was Personal Property Accountability. The civil works property items in the District valued at over \$25,000 were not reconciled between the property book known as Automated Personal Property Management System (APPMS) and the financial management system known as Corps of Engineers Financial Management System (CEFMS). As a result, the Commander directed the Internal Review Office to conduct a 100 percent inventory using the bar scanner of the 13,000 items located in a four state area to determine the number of shortages and value then reconcile the all property items over \$25,000 in the property book with the financial records. The scanning results revealed that over 300 items were not in the possession of the hand receipt holder on record. Of the 300 items 217 (72 percent) were located and either transferred or returned to the rightful owner. Reports of survey will be prepared for the 83 items valued at \$57,000.

**Property Accountability.** The objective of this review was to determine if policies and procedures were established and followed to account for and safeguard Command assets; and to determine if Command property records were accurate and assets properly accounted for. IR found policies had been published but they did not adequately address accountability, were outdated, and were not followed. Equipment items were purchased by use of Military Interdepartmental Purchase Requisitions (MIPR), IMPAC Cards, and contracts and delivered to the end user without being reported to or coordinated with the Property Book Officer (PBO). At the time of our review the primary hand receipt holder had identified 448 equipment items requiring property book accountability which were not on property records. Account holders were tasked to complete a 100% inventory and take proper actions missing items and place all equipment items on property records.

**Sensitive Items Inventory.** The purpose of this audit was to conduct a 100% joint inventory of the company's sensitive items. These items were located in the supply cages, arms room, on boats and Landing Craft Utilities (LCU)s currently on operations. The auditor found that not all sensitive items have been accounted for on the SPBS-R. In most cases, excess items have been identified and are ready for turn-in or lateral

transfers to other organizations. Obsolete equipment had been identified and ready for turn-in, but had not been turned-in. As part of this effort, the auditor discussed developing standard cost factors to equip a boat for WeekEnd Training (WET) for either a 3 day or 21 day exercise. This would involve fuel costs, OBSL (Class 9), and normal supplies.

## **Property Disposal**

***Recycling Center.*** The new Recycling Center opened in January 1999 replacing a cramped, dilapidated, and unsafe facility. The new Center was constructed as a result of a B.O.L.D. Grant submission prepared by the Internal Review Office. New equipment allows Center employees to more efficiently process recyclable material, to include scrap metal for sale. More efficient processing meant that Center employees were able to include Fort Story in their collections permitting four soldiers to be returned to their units to work in their military occupational specialties. Adequate storage space means that the manager can hold materials until he reaches optimum levels to maximize sales revenues. The Army benefits from the new Center as every ton of material recycled represents one ton of material removed from the solid waste stream. This pays back in significantly reduced hauling and tipping fees. Monetary Benefit: \$117,000.

***Sale of Assets.*** IR performed a review of sale of assets. The overall objective of the review was to determine whether gains or losses are accurately accounted for. Specific objectives were to determine if the CEFMS Asset Management Users Manual provides guidance for asset disposal accounting, and to validate whether remaining book value is expensed or recorded to non-operating gain or loss. IR found that ERs and the district's CEFMS Business Plan are not current to sale of assets. IR is confident that proceeds of retired assets are correctly applied to either the 7110.00 GL account, gain on disposition of assets, or the 7210.00 GL Account, loss of disposition of assets. However, IR recommended that hand receipt holders with retired property submit either an ENG Form 3013, work order completion report, or a DA Form 4900, Property Control Receipt, to the Property Book Officer, who then should forward a copy to F&A Branch so the property may be retired more timely from the CEFMS records. IR also had a FAR on the sale of asset procedures because they were not contained in the district's CEFMS Business Plan. IR recommended that Resource Management Office should update the District's CEFMS Business Plan to include procedures for collection of disposed assets. Management concurred with both findings and recommendations. IR will perform a follow-up early in the new FY.

## **Civilian Personnel Management**

***Ambulance Operations.*** Utilization of personnel needed improvement. Specifically, scheduled ambulance coverage did not represent the most efficient organization. Additionally, reporting of civilian time and attendance and subsequent pay computations

were not always correct. As a result, the MEDDAC incurred unnecessary costs during 1998 of \$91,339. Vacant positions, use of full-time rather than intermittent employees to replace absent employees, and unique time and attendance situations contributed to the problem. By filling vacancies, utilizing intermittent employees when full-time employees are on leave, and complying with legal and regulatory guidance, the MEDDAC could realize savings of approximately \$600,000.

***Pharmacist, Special Salary Rates.*** The Auditor provided the Deputy Commander for Clinical Services an internal analysis on special salary rates and retention allowances for civilian pharmacists working at the MEDDAC. The analysis included a wage comparison using Special Salary Rate Authorization Tables, wage data from local employers, and related demographics and statistics. The analysis facilitated management's decision process.

### **Military Personnel Management**

***AT/ADT/ADSW Combined with IDT.*** The purpose of this audit was to determine whether there were any inappropriate reimbursements of travel costs related to IDT. Soldiers living outside the commuting distance to their home station were performing duty immediately before and/or after IDT. The Command issued guidance stating soldiers living outside the commuting distance performing duty in conjunction with IDT could be reimbursed for one way of mileage. DFAS will pay for travel to and from the ADT site immediately before and after combined ADT/IDT based on their interpretation of DOD FMR. AR 140-1 is being updated to reflect this interpretation but combination tours will have to be justifiable due to mission requirements and repeated combination tours to gain travel pay to IDT and would still be prohibited. Recommendations were made that: a pay action be initiated to collect the per diem paid to an NCO who was erroneously paid per diem while on IDT. Due to the conflicting guidance given by this headquarters, no other collections can or will be made from any soldiers. As soon as OCAR publishes the update to AR 140-1, the Division Comptroller will publish implementing guidance in the Observer and/or other print media. The Division Commander will provide sufficient time at the commander's conference for the finance officer or NCO to brief commanders and administrators on the provisions of the updated AR 140-1 and the prohibition of combination tours to gain travel pay to IDT.

***Medical Training Records.*** Opportunities to improve upon documentation, planning, and oversight existed. Additional attention to details, lack of involvement by some section supervisors and incomplete external overview, contributed to the noted weaknesses. As a result, the ANG and USAF lacked complete assurance that personnel were efficiently and properly trained.

***Drug Positive Cases.*** Areas reviewed disclosed weaknesses in: (i) timeliness of packet submission of all drug positive cases; and (ii) monitoring and tracking each step in the separation process through completion. Recommendations: (i) require quarterly command group status updates of open cases; (ii) establish a goal to complete drug

positive cases within 120 days (without an administrative board hearing) or 270 days (with an administrative board hearing); (iii) implement a formal tracking system to monitor and track each step in the separation process through completion; (iv) establish a timeliness standard of 60 days to complete separation packet documents to the MSC, as part of the unit commander's job performance standards; (v) reinforce the continuation of processing drug case packets when soldiers fail to complete and return Soldier's Memorandum; and (vi) request for Conditional Waiver document within the 30 day time frame.

**Line Of Duty Process.** The purpose of this audit was to follow-up on line of duty investigations done for FYs 97-99 cases processed. The record for timeliness and resolution of these cases was very poor. The auditors reviewed the entire process with each step closely analyzed. The process was changed a couple of years ago. This change took the Major Subordinate Commands out of the management control process. This has led to a breakdown in any quality control as well as a breakdown in overall control and enforcement of the regulatory requirement. The manpower at the Regional Support Command level was not made available to properly handle the workload. In fact, if one individual was out of the workplace, everything stopped. The poor quality of the packets generated, resulted in the case being handled over and over using valuable man-hours that should have been spent on other missions. This contributed to disgruntled soldiers and generated bad word of mouth advertising, which did nothing to improve the organization's ability to recruit new soldiers. The man-hours used to re-process the cases were enormous. Short-term and long-term recommendations were provided that will improve the entire process. Monetary Benefit: \$377,000.

**Movement Controls.** At the Commander's request, Internal Review conducted a study into alignment of four new Movement Control Teams. The new teams are attached in garrison only. The purpose of the study was to evaluate options for alignment of the new teams within the Group and to address opportunities for sustainment training of the new teams. In conducting the study, Internal Review scheduled visits to CASCOM Combat Developments (Transportation), Fort Lee, VA. and to the 330th Movement Control Battalion (MCB), Fort Bragg, N.C. The study included 13 recommendations for 7th Transportation Group, CASCOM, and MTMC. Among the study recommendations was a suggestion to organize the new teams into a provisional company within 6th Transportation (Motor) Battalion but to take all reasonable measures to train and deploy as individual teams. The report also recommended establishing a training relationship with the 330th MCB and other transportation movement organizations as listed. The report included six suggested TOE changes for CASCOM's consideration.

**Enlisted Promotion System.** Audit recommendations should result in improved service to the soldier and an accurate and effective method for evaluating qualifications and in selecting soldiers for promotions. Additional training will be provided to reduce the confusion of the promotion process. This procedure will increase readiness and soldier satisfaction because slots will no longer be held open to wait for a decision.

**Accountability of Identification and Commissary Cards.** The audit of Identification and Commissary Cards revealed the control of accountable forms was not maintained. Accountability of these forms was not maintained by unit personnel. The cards are to be secured and a record kept when issued to soldiers. Poor record keeping during unit transitions was the primary cause of the loss of accountability.

**Enhanced Skills Training Program.** Internal Review auditors found a major university misused Enhanced Skills Training Program (ESTP) funds. Over the last seven school years the command paid the university \$1.4 million to provide Enhanced Skills Training (EST) courses to cadets. However, over the period only 169 students actually took the EST courses, and most were non-contracted Military Skills I students. The university misrepresented reports to command. Correct reports could have allowed the government to reduce the contract by \$72,353. The university charged students tuition fees even though the contract waived the fees. Although, university was attempting to reimburse the students, they based the reimbursement on the university's hourly rate per credit hour, which included all fees, instead of just the instruction fee. Without an adjustment, the university could reimburse students \$46,830 more than they are entitled. Further, it is questionable whether some students should receive reimbursement as 44 of the students (totaling \$54,137 in reimbursements) were non-contract Military Science I students or ROTC staff. The university also used \$172,341 for employees working in other university programs and \$83,060 to pay university utility bills. The university also inflated their cost proposal by as much as \$52,789 one year by adding additional employees not in contract scope of work. IR auditors identified \$234,317 in monetary benefits.

## **Real & Installed Property**

**Key Control at Training Site.** Key control at the main state training site is vulnerable to abuse. Keys to gates, buildings, storage locales, billeting rooms, and warehouses have all been duplicated so many times that positive access control no longer exists. The expense of re-keying all of the locks is large. The need to give a relatively significant number of people keys to perform their duties once they are at the training site means that any remedial efforts to achieve control are continually jeopardized. Efforts to accomplish a comprehensive inventory of known issues of keys matched against an authorization list are a first step. The final step is to begin a program of systematically re-keying all of the locks, with priority given to areas safeguarding sensitive or high cost items or warehouse stocks.

**Billing for Utilities.** IR conducted an audit of the billing and payment procedures for utilities at a National Guard Training Site. With the departure of the U.S. Army from FTIG, a Master Cooperative Agreement was initiated with the State's Commonwealth. The State Armory Board would meter the utilities and bill the tenants of FTIG. The rate of reimbursement to the state for utilities was to be based on the Facility Inventory and Stationing Plan support code. The audit determined that the State Armory Board was charging nearly double the rate for electric and water, and was charging Federal tenants

for sewage, when in fact the sewage treatment plant was federally owned and supported. In an agreement with the state, \$428,049 was reimbursed to the federal government during this initial year of operation of the training site. Monetary Benefit: \$2,100,000.

***Apache Longbow Parking Plan.*** Reviewed proposed aircraft parking plan for Apache Longbow aircraft at Hanchey Army Heliport. Recommended changes that would reduce one time costs by about \$65,000 while incorporating target and safety requirements. Implementation of recommendations is expected to result in reduction in number or aircraft mooring points and scope of repainting taxi lines. Monetary Benefit: \$65,000.

***Review of Real Property Accounting Procedures.*** This review was conducted to evaluate operating procedures used by TEC to account for and report on their real property assets. The review showed that buildings recorded in TEC's general ledgers were not in the asset cost table subsidiary ledgers as required. IR also noted that the assets were improperly recorded in TEC's property book as personal property and were not in TEC's real property records (REMIS). TEC agreed with the audit findings and corrective actions were promptly initiated.

***FY 98 Transient Housing Management.*** IR identified a \$10,000 discrepancy between the state account and the Transient Housing spreadsheet being maintained by the Training Site Manager. Funds could have been put to better use had they been readily available from the state account to obligate during the last quarter of FY 98. IR recommended monthly reconciliations be done between both accounts, and assisted the Training Site Manager in improving his spreadsheet for tracking all costs for Transient Housing. This could also be a global issue depending how each state isolates those funds earned in the respective Transient Housing Programs.

## **Information Technology**

### **Y2K:**

- The audit was made to advise the Year 2000 Team and the Command Staff on the validity of test results for the Fire Alarm System, Intrusion Detection System and the Wastewater Treatment System as addressed in the Command's Project Year 2000 Contingency Test Plan. The audit was conducted during the period 2-8 June 1999. The scope of the audit included: (i) reviewing the Y2K exercise test plan; (ii) observing the test plan execution; and (iii) reviewing documented actions taken during the test exercise. Audit results showed that the test plan was properly executed, actions were documented and test validated Y2K compliance of the Fire Alarm System, Intrusion Detection System and Wastewater Treatment System.

- The audit objective was to determine the validity of test results for the Fire Alarm System as addressed in Command's Project Year 2000 Contingency Test Plan. Audit results showed that the test was: (i) properly executed; (ii) actions were

adequately documented; and (iii) test results validated contingency plan for Y2K compliance.

- The audit objective was to determine the validity of test results for the Natural Gas Supply as addressed in the ANAD Project Year 2000 Contingency Test Plan. Audit results showed that the test was: (i) properly executed; (ii) actions were adequately documented; and (iii) test results validated contingency plan for Y2K compliance.

- During the period, the IR Office, in partnership with the installation's Y2K Project Officer, performed six engagements concerning the installation's Y2K program. Engagements ranged from validating End-To-End testing; uncovering problems in time to get them fixed; verifying inventories and testing to representing the installation at local community Y2K preparedness meetings; and briefing visiting Army senior leaders on the Y2K status of the installation. This almost constant attention to the Y2K program has resulted in the IR Office being widely recognized as the leading authority (along with the Y2K Project Officer) on the installation's ability to successfully carry out its test mission free from year 2000 problems. More importantly, however, the reviews of the Y2K program have resulted in numerous systems being fixed and validated that may otherwise have not been prepared in time for Y2K, and have given management an in-depth insight into the resources and actions required to complete fixes. Monetary benefits aren't readily quantifiable, but in our opinion the enhancements to the Y2K program have avoided the potential loss of several million dollars in test customer revenues (including Foreign Military Sales and private industry customers) that could have resulted if the installation or the equipment used to perform customer tests failed to operate properly because of Y2K induced problems.

- The review investigated the process used to certify and report mission critical systems as being Y2K compliant. Certification is a structured process, which is used to validate the effectiveness of the Y2K renovation efforts through a combination of test data review and independent testing. We found the activity had thoroughly tested and correctly certified and reported each of the mission critical systems as Y2K compliant.

**ADPE Accountability - Follow-up.** Primary objective: determine whether or not management had applied previously recommended corrective action to ensure the accountability of Automated Data Processing Equipment (ADPE). Tests of property management records and on-site verifications revealed that ADPE hardware were not properly managed. Hand receipt requirements were not enforced and required inventories had not been conducted. Additional concerns surfaced: lack of security to protect assets and use of personal computers to accomplish government work - without obtaining DOIM approval. Command issued new policy directives geared toward correcting inventory and hand receipt problems. Command emphasis was stressed to account for and secure ADPE. Added initiative: supplement local inspection teams with DOIM/Logistics personnel to monitor implementation of command guidance. Monetary Benefit: \$3,107,668.

***Return of Excess Funds.*** Auditor verified that unexpended funds of \$27,602.20 were returned to the US Treasury. This did not qualify as monetary benefits as it represented unobligated one-year funds from the previous fiscal year.

***Unauthorized Use of Software.*** Audit resulted in improved management controls that will reduce the possibility of violations in copyright laws. Monetary Benefit: \$93,442.

## **Communications**

***Telephone Usage.*** The Brigade Executive Officer directed the Internal Review Office to review telephone charges at the Command. Specifically, the auditors addressed what appeared to be excessive long distance charges to unrecognized phone numbers. The objective of this consulting engagement was to review the monthly phone bills from February through April 1999 and identify recurring and excessive calls and, if possible, determine if they were to government lines or other lines. This review determined that there are inadequate internal controls implemented at this level for controlling/monitoring personal phone calls made on government lines. All calls are lumped into one central number, so isolating the originator of each call is impossible. There is no Defense Switch Network (DSN) so all calls are commercial, and there is no requirement for internal logs of long distance calls made by personnel. There is no validation made against monthly phone bills to certify calls made were official. Monetary Benefit: \$10,255.

***Telephone Costs.*** The objectives of the audit were to review the adequacy of the Command's telephone lines and the associated controls over costs. IR found that the current number of outstanding telephone lines exceeded the Command's telephone line requirements by 1,248 lines; adequate controls were not in place over the Command's 800 telephone number; and long distance calls were not being reviewed to identify and collect for personal long distance calls. Adequate management could save HQAMC more than \$3 million in telephone charges over the life of the POM. Monetary Benefit: \$3,010,176.

***Communications Close-Out.*** The benefits of this audit include reconciliation of the Communications Cooperative Agreement account, modification of the cooperative agreement, and identification of non-compliance issues as outlined in the NGR 5-1 and The Master Cooperative Agreement. Summary of recommendations: To enhance management controls we recommended additional procedures and management controls in regard to reconciliation, final accounting and settlements, administration, cost sharing, and modifications.

## ***Transportation***

***GBL Processing.*** Review of a job order found twelve Government Bills of Lading (GBLs) were charged to the wrong job order. Transportation personnel did not



reconcile accounting entries by reviewing daily and monthly accounting reports nor did job planners monitor job costs. Benefits included reduced costs, increased oversight by planners, and identification of training needs for transportation and planning personnel. Monetary Benefit: \$150,980.

***Audit of Transportation Motor Pool Operations.*** The audit was performed to determine the effectiveness of transportation motor pool operations. The audit disclosed that the transportation motor pool (TMP) officer paid significantly higher prices for repair parts to a local vendor (middleman). For an 11 month period ending 30 November 1998, the higher costs for these parts totaled about \$35,100. The TMP officer did not take sufficient action to obtain more reasonable prices by obtaining quotations from several vendors. Improvements were needed to ensure better accountability over automotive repair parts and POL products. Adequate documentation was not always available to support the need and use of repair part and POL products. The audit also disclosed that the TMP officer used a local repair shop to do vehicle repairs that could have been done by in-house TMP personnel. Procedures for obtaining and using repair services from the local repair shop did not ensure that only necessary repairs were done. Internal management controls over motor pool operations needed to be improved to ensure that vehicle maintenance and repairs were done in a more cost effective manner. Increased management oversight and greater separation of duties were needed. Also, controls over the use of the IMPAC card to purchase repair parts and pay for vehicle repairs were not adequate.

## **Military Pay & Benefits**

***Unit Military Pay Functions.*** The overall objectives of this audit were to determine whether controls adequately ensured pay documentation were maintained; training and pay information were accurate; and units used the Unit Level Command Pay Management Report appropriately. Controls didn't adequately ensure unit military pay functions were efficiently or effectively managed. Payrolls were submitted in a timely manner; however, a number of administrative and documentation problems were noted. Documents required to support IDT training and pay were seldom authorized, not always certified, missing, or inadequately prepared. In addition, bonus-due-dates as recorded on DJMS-RC differed greatly from the information contained on unit Bonus 1 reports. As a result, audit trails for training, retirement points, validity of pay, and accuracy and timeliness of bonus payments were lost. To address these problems, we recommended the POTO, MILPO, and USPFO Financial Manager collaborate to: provide units with clear guidance on policy and procedures regarding documentation; establish specific, manageable controls to verify the appropriateness of documentation; develop a training program that would cover these issues; and implement a process that would ensure bonus information was accurate and payments were made when due.

***HQ Brigade Audit - Finance.*** The audit was requested by the Battalion Commander who had received numerous inquiries about pay problems. The auditors found a

breakdown in most of the controls built into the accountability of personnel and the pay system for the USAR. The management was deficient in managing personnel and doing any kind of quality checks to insure the soldiers were being taken care of. The auditors found: (i) the RST system was broken with current policy not being used; (ii) proper certification of 1379s was deficient; (iii) payment of RSTs was not correct; (iv) Unsatisfactory Attendance letters were not properly handled or signed properly; (v) file system was improperly set up; (vi) the pay files were incorrect; and (vii) proper payment of personnel was a problem. The management of personnel by senior full-time staff was extremely weak. The appropriate recommendations were presented and assistance from the appropriate staff sections provided. Monetary Benefit: \$364,000.

***Military Pay Transactions.*** Military pay transactions resulting from the performance of Inactive Duty for Training (IDT) were often inaccurate, poorly documented, and untimely. Soldiers were incorrectly paid for IDT periods not performed, not paid for duty periods attended, and routinely allowed to reschedule drills for the convenience of the individual. Additionally, excused absences were common place and pay discrepancies were allowed to go unresolved for protracted periods. This situation occurred because management controls at all levels of command were not effective to ensure the military pay process achieved compliance with Defense Finance and Accounting Service (DFAS) and Army regulations. Interviews conducted supported observations of weakened morale and low productivity during IDT weekends. This often translates into decreased unit readiness and problems related to retention. Individually, inaccurate recording of retirement points and other IDT performance issues could negatively impact soldier's careers. Benefits to Management: Non-monetary benefits include improvements in management controls, the military pay process, and regulatory compliance issues. The audit also provided significant data to decision makers regarding potential problems relating to readiness and retention. Baseline retention rate data developed could result in monetary benefits upon follow up if retention is improved.

## **Civilian Pay & Benefits**

***Validation of Material Weakness.*** The identified material weakness was questionable payments of Environmental Differential due to: limited visibility over program administration; payment for questionable work situations or when exposure not supported by authorizing documentation; and regulations provided insufficient administrative guidance. We concluded the actions taken by the Directorate of Resources eliminated the identified material weakness.

***Anonymous Complaint (L&P Reporting).*** In response to an anonymous complaint received on 18 August 1999, the Internal Review and Audit Compliance Office conducted an unannounced audit on Labor reporting (L&P) in the Turbine Engine Support Branch, on 20 August 1999 (Friday). During the L&P check the auditor found a one-hour reporting error related to an Operation Code. Error was corrected the following workday.

**Review of Leave.** IR performed an audit of leave in conjunction with a special request made by the District's Deputy Commander. The audit objective was to determine if timekeepers maintained leave records in accordance with regulatory requirements; if errors were being made by timekeepers; and if so, the reasons for the errors. To accomplish the objective IR obtained computer lists from RM-F and T&A and leave records from the district's timekeepers for 87 employees, selected randomly using a table of random numbers. From the results, IR concluded that the timekeepers were maintaining leave records in most instances IAW regulatory requirements. Most timekeepers were using either SF 71, e-mail messages with required info, or T&A reports initiated by employees to validate leave charged in CEFMS. RM/RM-F and HR concurred.

**Civilian Time and Attendance.** In two audit engagements, the auditor found that civilian time and attendance was not accurately reported and employees had not been charged for leave taken. In another instance, a civilian employee had been allowed to accumulate more than 300 hours of compensatory time. Because the employee had maximum "use or lose" annual leave, the compensatory time would be paid at the maximum rate allowed for overtime. Improving management controls over time and attendance would result in savings to the activity of \$55,984.

**Specialty Clinic Time and Attendance.** In a review of civilian pay, the auditor found that the timekeeper was preparing the proper paperwork, but was not obtaining proper approvals. Neither the timekeeper nor the certifier retained a file copy of submissions for overtime approval. Nor did they check to see whether the overtime was actually approved before posting it. The auditor also found that the clinic's requirement for overtime could be reduced if the physicians' schedules were revised so that inpatients would be seen in the morning. Monetary Benefit: \$6,881.

**Lodging, Rental Car and Misc. Costs Hurricane George.** Review of TDY travel vouchers for employees assigned to Hurricane George's recovery efforts discovered overpayments for lodging expenses. Employees have been billed for the overpayments resulting in direct reimbursement to the government of \$18,565. Commander is in process of obtaining advice from District Counsel for further actions against employees that did not report significant overpayments. Monetary Benefit: \$18,565.

**Project Labor and Cost Transfers.** Audit identified management control weaknesses in recording labor charges. Recommendations improved management's ability to measure the true cost of doing business and helped ensure that labor costs were charged to the correct project or function.

## **Program & Budget**

**Request for Orders.** The Automated Fund Control and Orders System (AFCOS) reserves and obligates National Guard training funds. A performance audit of the

AFCOS system showed there is no system edit requiring obligation of travel and transportation costs associated with military training, at the time the order is issued. Auditors found actual obligations for travel and transportation costs frequently occurred much later, usually at the time of disbursement. Many of these obligations did not appear until the subsequent fiscal year, thus increasing the risk of antideficiency. Over \$244,228.50 in FY-98 travel and transportation costs were not properly obligated. Audit recommendations led to developing an on-line edit to detect requests for orders, which did not include appropriate travel estimates. Monetary Benefit: \$1,901,653.

***Review of Cooperative Agreement; Security Guard Activities.*** The results showed effective controls were in place and followed to ensure the protection and interests of both the State and Federal governments. The program manager and key operating personnel at the 159th SFS and the Directorate of State Resources were fully aware and knowledgeable of the terms and specifications of the agreement and ensured compliance with all provisions. There was one minor administrative observation noted in quarterly reconciliations. A LOI from DSR specified quarterly meetings would take place between the PM and DSR with the purpose to reconcile the status of funds and discuss other aspects of the agreement which may require attention. Although IR did not dispute statements of key personnel that reconciliations were taking place, IR did note that there was no evidence and reconciliations could not be verified. IR recommended correction action consisting of preparation of a MFR indicating the date, individuals participating, and the results of each reconciliation. DSR representatives agreed and stated at the exit conference that action would be taken to ensure quarterly reconciliations are documented as specified by DSR LOI.

***Contingency Operations Reimbursement.*** In a review of data used to prepare requests for reimbursement, IR found that the data was maintained in three separate systems. IR noted there were significant discrepancies between the systems; as a result, the facility had neither determined nor collected the appropriate reimbursement. During the review, IR determined the appropriate amount of reimbursement and assisted the facility in recouping about \$820,512.

## **Other Comptroller Functions**

***Review of Travel Program.*** Improvements in management control and processing of travel orders and travel settlement vouchers could be made resulting in reduced TDY expenditures and increased time at the workplace. The review found that: the Travel Program lacked effective management control over travel funds resulting in an increase in educational TDY expenditures and time away from the work place. \$333,700 of funded FY 98 discretionary educational TDYs appeared excessive. Additional benefits estimated at \$45,000 may result from possible reduction in the number of personnel attending the same conference. Travel settlement vouchers were not properly processed. Travel settlement vouchers were not processed in a timely manner. Travel settlement vouchers were not properly reviewed. Many leave requests (DA Fm 31) taken in conjunction with TDY were not processed. Monetary Benefit: \$2,955,600.

**Official Representation Funds (Limitation .0012).** The audit was performed to evaluate the use of and control over representation funds, Limitation .0012 - Miscellaneous Expenses, Category A. The audit showed that representation funds were usually used for purposes authorized by the regulation - - the funds were used to further civic and community relations and extend official courtesies to authorized guests. However, the audit also showed that the management and control over the funds could be improved by: (i) developing and implementing local policy and guidelines that more clearly defined authorized guests, particularly in a foreign country, and that established the command level at which invitations were to be extended and events hosted when representation funds are used; (ii) ensuring subordinate officials delegated authority to invite and host an event were provided written permission; and (iii) establishing management controls to ensure that the Fund Control Register was updated promptly and that it was periodically balanced with the accounting reports provided by the Defense Finance and Accounting Service.

**Review of Duplicate Check Issues.** The review objective was to determine if duplicate check issues represented erroneous or fraudulent check issues. The review found that the check issues examined represented valid payments. However, the review also found 181 unmatched receiving reports over 30 days old which totaled over \$127,000. These unmatched receiving reports created expenditures in CEFMS for goods and services which were either un-invoiced, or had already been paid with a duplicate receiving report. The cause of the duplicate receiving reports was that CEFMS has no cross reference between invoice and receiving report numbers where multiple shipments are involved. Payments are made by randomly matching invoices and receiving reports. Where mismatches occur in dollar value, additional dollars are added to existing receiving reports. Thus some original receiving reports remain open, needlessly tying up funds which could be put to better use. Monetary Benefit: \$127,000.

**Review of Collection Procedures.** The review showed that collections were being made properly for the most part. Proper procedures were generally being used. Collections were made in a timely manner. IR noted that safekeeping of funds received could be improved. Several locations were keeping collection checks in their desks overnight rather than using a safe. IR discovered that all collectors do not have ready access to a safe within their office. Therefore, desks or filing cabinets are used as repositories for the checks until sent to the Finance Center. IR recommended that those collection offices without a safe make arrangements with a nearby office where a safe is maintained to store collection checks overnight in their safe. This audit did not provide definitized monetary benefits, however, improved controls should result.

**Review of TEC's Capital Asset Accounting.** TEC's capital assets were reviewed to determine if general ledger asset balances and asset cost table subsidiary ledgers were correct and in balance. IR's review disclosed that eight assets costing \$2.3M were not recorded in capital asset accounts in CEFMS as required. IR also determined that

accumulated depreciation expenses for six capital assets were not accurately presented in CEFMS. TEC agreed with the findings and initiated necessary corrective actions.

***Review of Lodging & Rental Car Costs-Hurricane George.*** IR determined that internal controls were in place but not functioning and may have contributed to the fact that travel overpayments were not detected during the normal course of business. These controls included that 29% of the travelers did not sign the travel voucher either in CEFMS or on a hard copy. The traveler/secretary that prepared the travel voucher entered the lodging rate in the "daily lodging cost column" of the travel voucher opposite the date the traveler arrived at the duty station, not the date the traveler began to incur cost. In addition, vouchers did not contain, when applicable, a statement as to why government furnished lodging or rental cars were not used. Monetary Benefit: \$6,000.

***Review of Hurricane George Travel.*** IR found two instances where travelers had received reimbursement for lodging costs paid for by the Jacksonville Corporate card. Millington was notified and the travelers were required to return over \$400.

***Budgetary Resources.*** Processes of the budgetary resources functions were flow charted to include civilian payroll, funding, obligation, disbursement, collection and reimbursement activities. Management controls were improved -- flow chart highlighted key control points.

***Certification.*** A value-added service intended to ensure Assistant USPFOS for ANG were appointed as certifying officers. The auditor researched applicable laws, regulations and policies and prepared the appointment documents. During the research process the auditor identified a conflict in the DOD Financial Management Regulation. The proponent was identified and informed. The problem was corrected.

***Workers Compensation Program.*** The overall objective of this audit was to evaluate controls over the Injury Compensation Program. IR found that controls were not adequate. Specifically, Federal Employees Compensation Act (FECA) Administrators did not always process and track the validity of claims, to include medical and compensation payments; and were not verifying whether the Office of Workers Compensation Program's (OWCP) yearly chargeback bills were correct prior to payment. IR was unable to verify that 26% of the claimants for the calendar quarter reviewed actually were assigned to the program at the installation reviewed. IR made four recommendations to include validation of payments and correction of any erroneous payments.

***Approving Officials - RATS.*** IR's review focused on the performance of travel approving officials as it related to requirements identified in the Joint Travel Regulation for users of the Reengineered Automated Travel System (RATS). IR found that the database identifying approving officials was not kept current and that approving officials were not always reviewing traveler's claims prior to approval. IR also found that approving officials were not sufficiently educated on the rules of travel. IR offered

suggestions to establish mandatory training for approving officials and to develop a procedural manual detailing approving officials and travelers responsibilities under RATS.

## **Support Services**

***Field Registration Office.*** Another IR found that the Provost Marshall could improve oversight and controls and operating efficiencies at their field registration offices. Internal Review provided recommendations that would improve supervisory oversight and monthly inventory procedures. IR also recommended better business practices that would be more proactive in providing information to the community, improve daily operations resulting in more effective service to customers and increased operating hours. Specific monetary benefits were not identified. However, implementing the recommended actions will result in more efficient operations for the field registration offices and time savings for the clerks and customers. (USAREUR)

***Housekeeping Service Management Study.*** The audit determined that the Management Study had been prepared IAW OMB Circular A-76 and AR 5-20. All in-house cost estimates were determined to be fair, reasonable, appropriate, and complete. Audit results obtained via review of the Management Study's "Performance Work Statement," "In-house Cost Estimates," and supporting documentation have determined that the ability of the Most Efficient Organization to perform the work contained in the Performance Work Statement at the estimated costs, included in the Cost Comparison Form, were reasonably established. The audit demonstrated that the data contained in the Management Study was valid and could be relied on to make prudent business decisions. As a result, the Commander approved the in-house certification.

***Contracting Officer Representatives & Quality Assurance Evaluators.*** COR files and contract monitoring 64.8% of the Contractor Officer Representatives/Ordering Officers did not meet regulatory requirements and performance standards. DFAR subpart 201.602-2 (responsibilities) paragraph 6 states CORs "Must maintain a file for each contract assigned. This file must include, as a minimum a copy of the contracting officer's letter of designation and other documentation describing the COR's duties and responsibilities; and documentation of actions taken in accordance with the delegation of authority." CORs are not in compliance with DFAR due to inadequate oversight by management. Noncompliance impairs Command's ability to insure that contractors are conforming to the terms and conditions of the contract.

## **Nonappropriated Fund Activities**

***Review of Nonappropriated Chaplain's Fund.*** This review was requested by the State Chaplain as part of the Annual Internal Review Program solicitation process for the current year (CY99). The requested objective was to determine if the fund was operated effectively. IR's review focused on determining if appropriate policies and

procedures were established and properly followed. IR also reviewed the fund account to determine if appropriate management controls were adequate to ensure fund accountability was effective and accurately reported and to determine if proper documentation was on file to support fund transactions. The results of the review showed there were no local standard operating procedures (SOP) established to define the purpose, operating procedures, management controls, or specific guidelines in use of the fund; supporting documentation was not on file for all transactions; and, account records had not been reconciled with recent bank statements. Our review showed that the majority of problems noted were due to recent changes in fund custodians. The observations and recommendations noted during the review were discussed in detail with the current custodian. The custodian agreed and stated that noted observations would be addressed and corrective actions taken.

***6-Month Follow-Up Audit of USASA Area III Consolidated Chaplain's Fund.*** The follow-up audit was performed 9-13 November 1998 and included the examination of the Area III Chaplain's Fund financial and managerial records for the 6-months, April - September 1998. The objectives were to: (i) determine whether the Area III Consolidated Chaplain's Fund was controlled and managed in compliance with AR 165-1, Chaplain Activities in the U.S. Army, and AR 11-2, Internal Management Control Program; and (ii) to validate the financial account balances as of 30 September 1998. The follow-up review determined that Area III Chaplain's Fund was operating in compliance with pertinent Army Regulations as they relate to Chaplain's Fund operations. The benefits realized by the Command and Chaplain's management were: (i) in compliance with Army Regulations; and (ii) ensured the validity of monthly Statements of Operations and Net Worth and reconciled cash balances.

***Final Report; Audit of Area IV Consolidated Chaplain's Fund.*** The audit was performed 5 April - 11 May 1999 as the regulatory requirement for the change of Fund Manager and included the examination of the Area IV Chaplain's Fund financial and managerial records for the 9-months July 1998 - March 1999. The audit objectives were to: (i) determine whether the Area IV Consolidated Chaplain's Fund was controlled and managed in compliance with AR 165-1, Chaplain Activities in the U.S. Army, and AR 11-2, Internal Management Control Program; and (ii) to validate the financial account balances as of 31 March 1999. The audit determined that the Area IV Chaplain's Fund was operating in compliance with pertinent Army Regulations as they relate to chaplain's fund operations. The benefits realized by the Command and Chaplain's management were: (i) compliance with Army Regulation to perform the audit due to the change of Fund Manager; and (ii) ensure the validity of monthly Statements of Operations and Net Worth, and reconciled balances as of 31 March 1999.

***Final Report; Audit of Area III Consolidated Chaplain's Fund.*** The audit was performed 17-21 May 1999 as the regulatory requirement for the change of Fund Manager and included the examination of the Area III Chaplain's Fund financial and managerial records for the 7-months October 1998 - April 1999. The audit objectives were to: (i) determine whether the Area III Consolidated Chaplain's Fund was controlled and managed in compliance with AR 165-1, Chaplain Activities in the U.S. Army, and



AR 11-2, Internal Management Control Program; and (ii) to validate the financial account balances as of 30 April 1999. The audit determined that the Area III Chaplain's Fund was operating in compliance with pertinent Army Regulations as they relate to Chaplain's Fund operations. The benefits realized by the Command and Chaplain's management were: (i) compliance with Army Regulation to perform the audit due to the change of Fund Manager; and (ii) to ensure the validity of monthly Statements of Operations and Net Worth, and reconciled cash balances as of 30 April 1999.

**3-Month Follow-up Audit of Area IV Consolidated Chaplain's Fund.** The follow-up review was performed 11-18 August 1999 and included the examination of the Area IV Chaplain's Fund financial and managerial records for the 3-months, May-July 1999. The follow-up objectives were to: (i) determine whether the Area IV Consolidated Chaplain's Fund was controlled and managed in compliance with AR 165-1, Chaplain Activities in the U.S. Army, and AR 11-2, Internal Management Control Program; (ii) to validate the financial account balances as of 31 July 1999; (iii) evaluate the status of record keeping since the new Fund Manager assumed responsibility; and (iv) provide technical assistance to the new Fund Manager as needed. The 3-month follow-up review of financial and managerial records disclosed: (i) systemic problems with late posting of income collection-receipt to both the Fund checkbook and the NMS3 automated accounting system; (ii) inaccurate monthly Statements of Operations and Net Worth; (iii) late payments of account payable debts to vendors that resulted in finance charges to the Fund/U.S. Army; and (iv) lax command emphasis for daily processing of the Fund's financial obligations and record keeping. The benefits realized by the Command and the Chaplain's office were the identification and correction of systemic financial and managerial record keeping problems needed for full compliance with pertinent Army Regulations.

**3-Month Follow-Up Audit of Area III Consolidated Chaplain's Fund.** The follow-up review was performed 30 August - 1 September 1999 and included the examination of the Area III Chaplain's Fund financial and managerial records for the 3-months, May - July 1999. The follow-up objectives were to: (i) determine whether the Area III Consolidated Chaplain's Fund was controlled and managed in compliance with AR 165-1, Chaplain Activities in the U.S. Army, and AR 11-2, Internal Management Control Program; (ii) to validate the financial account balances as of 31 July 1999; (iii) evaluate the status of record keeping since the new Fund Manager assumed responsibility; and (iv) provide technical assistance to the new Fund Manager as needed. The 3-month follow-up review of financial and managerial records determined that the Area III Consolidated Chaplain's Fund was operating in compliance with pertinent Army Regulations. However, minor problems were found in (i): two missing NMS3 sequential numbered vouchers; (ii) one late payment to vendor; (iii) six discrepancies between the payment made and the sales receipt or invoice documentation; and (iv) the required annual inventory was not conducted for the change of fund manager. The benefits realized by the Command and the Chaplain's office were the identification and correction of minor financial and managerial record-keeping problems needed for full compliance with pertinent Army Regulations.

***Audit Assist to the IG; Review of MWR (NAF) Financial Management Procedures for Athletic Activities.*** The audit assist requested by the Inspector General was performed 7-10 September 1999, with the objective to determine whether the Command was controlled and managed in compliance with AR 215-1, Nonappropriated Fund Instrumentalities and Morale, Welfare, and Recreation Activities, during March - July 1999. The audit assist determined that the Directorate of Community Activities was operating in compliance with AR 215-1; however, the Recreation Division was not making user fee bank-deposits as required by Army Regulation. The review of financial management Daily Activity Reports found that \$ 108.00 collected from Tae Kwon Do class instruction was held in the Fitness Center safe for three months April - June 1999 until deposited 1 July 1999. This is contrary to Army Regulation guidance. The benefits realized by Command and the Directorate of Community Activities were the identification and correction of financial management procedures for timely bank-deposit of user fees collected to be in full compliance with Army Regulation.

***Financial Operations, Veterinary Treatment Facility.*** Accounting procedures were not in place to bill for the services, supplies, and products provided, as necessary, to government owned animals and military working dogs. The clinic had not billed for \$2,422.00 of services, supplies, and products; consequently, gross income from operations and net income were understated. Procedures were not in place to control merchandise transferred from and to the Veterinary Treatment Facility. If the amount transferred and handled incorrectly was material, it would result in an incorrect cost of goods sold and income and loss of control over inventory. The safe did not meet regulatory standards; consequently, the controls for safeguarding cash, change fund, and deposits were inadequate. Monetary Benefit: \$2,422.

***Child Development Center (CDC) Fee Income.*** CDC records were not kept current to ensure that patrons were paying the appropriate fee based on their category of income level. In addition, some CDC patrons (weekly and hourly) were in arrears. Monetary Benefit: \$11,678.

***Child Development Services USDA Child and Adult Food Program.*** IR reviewed the Child Development Center's USDA Food Program for the period 1 January 1998 to 28 February 1999 and discovered that the Childcare Center was overpaid \$16,673 and underpaid \$3,131 in the Daycare Home Program. Although the over and underpayments were caused by USDA computer program errors, these amounts were not detected by Childcare Center personnel and the installation could be forced to repay the overpayments. In addition, the system of internal controls was not operating effectively. Due to serious weaknesses in recordkeeping, IR was unable to perform an inventory analysis of the food operation.

***Review of Chaplain's Fund.*** Because of a pending change in Fund Managers, the Chaplain's Office requested an audit of fund records. While some improvements were needed in cash controls and in reconciling accounts; overall, financial statements and accounting records accurately captured the position of the fund. Similarly, improvements were needed in accounting for fund property. Among the

recommendations: (i) use pre-numbered offering control sheets; (ii) approve petty cash and IMPAC card purchase requests in advance; (iii) send annual reminders and written instructions to hand receipt holders alerting them to inventory and reconcile their hand receipts; (iv) ensure that seven items erroneously deleted from the property record be restored to the property records; (v) document and maintain on file, the date and manner of disposition of any unserviceable property record that was removed from the property record, and; (vi) develop an identification system to mark all property.

**Operation NAF Mongoose.** The objectives were to (i) ensure payments were proper and made to those entitled to receive; (ii) determine propriety of document controls; and, (iii) ascertain compliance of plan and actions with laws, directives, and regulations. The audit was patterned after "Operation Mongoose" which was established by the Under SecDef, Comptroller, to serve as a fraud detection program to deter/detect irregularities. The scope of the audit included a review of all annuitants that lived OCONUS and were paid by insurance companies who were contracted by NAF to make the payments, and comprised 800 annuitants living in 26 countries, Alaska and Hawaii. IR's review revealed: (i) potential fraud of some 38 annuitants; (ii) differences between amounts paid and received; (iii) inaccurate calculations; (iv) inaccurate retirement contributions; (v) improvements needed in document controls, use of automatic systems, and use of Social Security Death listings. IR also found that annuitants and NAF activities would benefit by issuance of Retiree Identification cards. IR recommended that assistance be requested from U.S. Secret Service and U.S. Army CID for potential fraud cases, and other actions be taken to improve systems deficiencies. This audit will result in currently undetermined monetary benefits, improved systems/processes, improved management controls, and avoidance of violations of law. (CFSC)

**Process and Workload Review of 401(K) Savings Plan.** An Internal Review audit of the workload associated with the Army's Nonappropriated Fund (NAF) 401(K) Savings Plan was requested. The objectives were to determine: (i) the workload associated with the 401(K) element; (ii) the process and other improvements that would enable Management to better manage the workload; and (iii) the staffing necessary to perform the workload. Through discussions with Fidelity, the investment company, IR determined that there were a number of additional Fidelity services that could be offered which would enhance the service to employees enrolled in the plan. The majority of these services require no additional costs to the Plan (NAF). Additionally, it was determined that the vesting information could be loaded into Fidelity's systems and the vesting determination would be handled by Fidelity. Recommendations were made to Management and the Trustees. Management has implemented a number of the recommendations. Some are on hold due to computer conversion requirements. The personnel savings are estimated at \$75,000 to \$100,000 at this time, with additional savings of a like kind in the future. (CFSC)

## **Commercial Activities Program**

***Commercial Activities Efforts.*** Internal Review supported the resolicitation of the Installation Maintenance and Logistics contract by detailing an auditor to serve on the Cost Realism Committee. Internal Review also took the lead in reviewing the adequacy of the Independent Government Cost Estimate (IGE) for Engineering Services. The IGE will be used by the Army to evaluate contract offers.

***Utilities Privatization Study.*** The purpose of the study was to determine whether or not the Government can realize cost savings, increased reliability service and other benefits, if the utility systems are privatized. The maintenance and replacement of existing systems are becoming more complex and costly, making it difficult for the Government to operate the systems in compliance with ever-changing federal, state and local laws and regulations. Budgetary constraints and manpower limitations may also impact the ability of the Army to provide reliable utility services with adequate consideration of security, safety, and environmental compliance. The study makes a strong case for privatization of the Army-owned utilities. External to the study it should also be noted that further study by Command may disclose that they are absorbing substantial costs for services provided other utility customers including the Air Force that would be eliminated if the utilities are privatized. The issue has been raised as to what impact, if any, would delay the potential privatization of utilities at FRA by 18 months to accommodate the Air Force to "catch-up" with their own privatization studies on their utility requirements. Obviously, the longer Command takes to initiate action on the utility issue, the more costly it becomes for Command. An 18-month delay would cost Command, at a minimum, \$6.9M.

## **Investigative Support**

***Investigation of Employee Complaint.*** The objective of the audit was to determine the validity of an allegation reported by an employee indicating two suggestions submitted to the Army Ideas for Excellence Program (AIEP) were evaluated and returned without being adopted but had actually been implemented by the Directorate of Information Management (DOIM). The audit indicated that one suggestion had been adopted and implemented. Therefore the employee was entitled to an award of \$2,509 based on tangible net savings of \$60,289. Audit found that another suggestion had not been adopted or implemented. Additionally, audit surfaced the failure of the AIEP manager to strictly apply evaluation policies and procedures as established by AR 5-17 for routing suggestions to the functional proponent and ensuring rationale for disapproving suggestion was acceptable.

***Investigation of Missing Material.*** The audit objective was to determine the status of 3/4-inch banding steel. Audit results showed that the vendor coded the delivery destination incorrectly. The banding steel was routed for Louisiana instead of Alabama. However Requisition and Property Management Division received the material on depot

4 August 1999. The banding steel turned in to DRMO on 15 July 1999 belonged to Defense Distribution Depot.

## **Health Care**

***Processing of MEB and TDRL Cases.*** The purpose of the military physical disability evaluation process is to identify soldiers who are unfit to perform the duties of their office, grade, and rank, or rating because of disease or injury and to expeditiously separate those soldiers from active duty. Soldiers tentatively identified as unfit for duty are referred for a physical disability evaluation by a Medical Evaluation Board (MEB). The auditor found that processing of MEB cases from the time of initiation through completion of medical documentation needed improvement. An average of 252 days elapsed from the time a soldier was first identified as medically unfit for duty until a responsible physician completed the medical documentation. Units, soldiers, providers, and administrative personnel contributed to the lengthy processing times. Delays may have had a negative impact on readiness, and the cost to Department of Defense (DOD) and the Medical Department Activity (MEDDAC) was significant. Improving the overall physical evaluation process locally could result in savings to DOD of \$3,086,600 in military pay. In addition, the MEDDAC would realize a cost avoidance of \$205,470 if soldiers kept scheduled appointments. Monetary Benefit: \$3,292,070.

***Expert Consultant Program.*** An allegation was made that a consultant was referring patients to his/her private practice. The auditor found that three patients (all active duty dependents) were seen at the facility prior to being seen at the health care provider's private office. The auditor also reviewed workload history and found that the work being done could easily be absorbed by the full-time permanent employees already on board. Monetary Benefit: \$16,200,

***Expired Immunization Serum.*** The objectives were to review management controls in place on the storage and transporting of immunization serum within the unit. If there was a problem, was it local or widespread. Also, to ensure steps are taken to prevent a possible reoccurrence in the future. The auditors found a material weakness in the monitoring of expiration dates of immunization vaccines at the hospital. The Chief Nurse investigated the circumstances and determined that the problem was confined to only a few people who are responsible for the serum. As a result, a new immunization SOP has been written explaining proper requisitioning, storage, handling and use of immunization serum. Nursing personnel will receive adequate briefings prior to being sent on missions to ensure that loss of valuable government assets does not occur.

***Pharmacy Costs.*** The objective was to identify the cause of rising Pharmacy costs. Auditors identified multiple causes for rising pharmacy costs including pharmaceutical price increases, outpatient clinic visit increases, prescription increases, diabetic supply requirement, formulary additions (\$375K - 10% of total costs). As of 30 June 1999, local pharmacy costs had increased 25% over the same period last year and were estimated to total about \$5.3 million by FY end. Having no control over rising prices,

local cost reduction efforts should focus on prescribing policies and formulary management. To lower costs, either the quantity of or the value of drugs dispensed must be decreased. The auditors made recommendations that provided methods for improved managerial information through better capture and reporting of drug utilization and cost data, and ways to foster a more conservative approach to formulary management. The auditors also determined that the Pharmacy was issuing supplies to non-MEDDAC units without being reimbursed. As a result of the audit, command directed Pharmacy to change operating procedures - resulting in projected monetary benefits of \$512,000.

***Change of Medical Services Account Officer.*** An auditor's analysis of account balances disclosed that there was no procedure in place to identify certain accounts - resulting in losses in revenue year after year. The auditor identified (in the Composite Health Care System), 7 patients discharged but never billed - totaling approximately \$319,300. As a result, management implemented procedures to systematically identify and bill for this category of patients. Monetary Benefit: \$319,300.

***Review of Credit Balances in CHCS.*** An auditor's review of one account in the Composite Health Care System (CHCS) led to the identification of an apparent systemic problem. When final inpatient records are input into CHCS for billing, a credit balance is calculated by the system. Since analyses of accounts were not being done, the errors remained unnoticed. The auditor identified 4 accounts with credit balances totaling \$25,779, which should have had a debit balance of \$677,632, an understatement of \$703,411. The auditor notified the Inpatient Records supervisor and the accounts were recalculated generating the hospital the additional funds for fiscal year 1999. Monetary Benefit: \$703,411.

***Estimate of Receivables at Year End.*** The auditor assisted the Resource Management and Patient Administration Division in estimating receivables earned but not recorded due to long lead time in Diagnosis Related Groups (DRG) coding and transcription. In the past, revenues were lost at year end because management was not aware that estimates could be used. IR provided regulatory guidance and accounting principles for accrual accounting in the Medical Services Account, e.g., record receivables in the period earned, and reasonable estimates should be used when the actual amount is not available. Based on agreed upon methodology, the team estimated approximately \$3.9 million of potential monetary benefits.

***Class VIII Medical Supplies.*** IR served as a member of a Process Action Team (PAT) to help improve the MEDDAC's financial oversight over Direct Health Program funds. The PAT drafted a Decision Paper to establish a formal relationship with the Division for supplying and funding Class VIII medical supplies. This was achieved by entering into an explicit Memorandum of Agreement between the Division and MEDDAC; the agreement resulted in potential monetary benefits of \$157,975.

***Drug Demand Reduction Program (DDRP).*** The objective of this review was to evaluate implementation of the DDRP in accordance with regulatory guidance and Command policy. IR found the DDRP was not implemented in accordance with established guidance and policy. The funds were not adequately tracked to ensure proper use, random testing procedures were not always followed, and documentation for individuals who tested positive was not always complete and accurate. IR identified \$7,300 of funds, which could have been better used if proper tracking procedures had been in place.

### **External Audit Liaison**

***IG Inspection of Environmental Program Organization.*** The IG audit objectives were to determine if: (i) the current Command environmental structure was adequate to execute environmental programs and comply with existing federal, state and local environmental regulations; (ii) current environmental structure continues to meet environmental requirements with the migration of missions, consolidation, or elimination of organizations within Command; (iii) adequate funds were programmed to meet future requirements; and (iv) environmental personnel were properly trained and training requirements identified to meet future environmental missions. The Command IG commended Command on its solid environment program. The Command IG provided results on areas reviewed and recognized Command's involvement with the local community concerning environmental issues and emphasis Command has put on the environmental program.

***HQ Y2K Technical Advisory Group (TAG) Visit.*** The HQs Y2K Technical Advisory Group (TAG) visited Command during the period 13 - 16 September 1999. Purpose of the visit was to conduct a Y2K technical advisory oversight of the Command Y2K Program. The objectives included review of: (i) command emphasis; (ii) program management; (iii) personnel involvement; (iv) implementation and effectiveness; and (v) adherence to guidance. The TAG was very complimentary of management's involvement in the Y2K program, the knowledge of the Year 2000 Team and the Installation Y2K Coordinator, and the Senior Leadership. Also, the TAG complimented all for their outstanding continuity. The TAG was very complimentary of IR's involvement in the Y2K Program and recommended that they continue to be used in the Y2K program. The TAG suggested the Year 2000 Team expand the testing to include four different dates.

### **Follow-up**

***Environmental Differential Pay.*** The follow-up audit was made to determine if the Environmental Differential Program (EDP) was administered in accordance with regulatory guidance. Results of the original audit disclosed that: (i) internal controls were not established to provide adequate program oversight and administration over the EDP; (ii) environmental differential payments to employees were not always accurate;

and (iii) local situations at Command may not currently qualify for environmental differential. IR's follow-up audit showed the Director of Resources had taken positive actions to correct identified deficiencies. Actions included: (i) publishing updated local regulatory guidance; (ii) determining if ED payment were still justified for local work situations; (iii) ensuring ED payments were in compliance with eligibility criteria; and (iv) reporting the Environmental Differential Program as a material weakness in the Management Control Process Annual Assurance Statement. All recommendations were considered complete. No further follow-up audit is required.

**Commercial Credit Card Audit.** The original audit was made to determine if the Commercial Credit Card Program was administered in accordance with regulatory guidance. Results of the audit disclosed that management controls were effectively established over the authorization and issue of commercial credit cards. Additionally, internal controls were established and applied to ensure employees were trained in the use of commercial credit cards. However, cardholders did not always appear knowledgeable of all program requirements. As a result, purchases were not always in accordance with established procurement policies and statutory limitations. IR's follow-up audit showed the directorates had taken positive actions to implement the identified recommendations. All recommendations were considered complete. Monetary Benefit: \$77,000.

**Vehicle Utilization.** IR's follow-up review clearly demonstrated that tremendous progress had been made in the overall reduction of vehicles. The composite results indicated that 44 vehicles, instead of the initially recommended 23, had been exceeded. With a larger number, and a different composition, of vehicles the annualized monetary benefit was calculated as \$111,030 instead of our originally projected \$55,056. Accordingly, this district surpassed our overall projections by 21 vehicles (91.30%) and \$55,974 (101.67%) in annual savings.

## **Financial Statements (CFO)**

**Construction-in-Progress (CIP) Accounts.** The objective was to determine if selected line items in CIP accounts should be transferred or represent database anomalies. Engineering the design costs associated with inactive work items in the CIP accounts weren't being resolved. IR recommended management thoroughly review inactive CIP accounts and take steps to transfer costs for all physically completed projects or completed separable elements to the customer. A subsequent follow-up confirmed that management had completed corrective action.

**Inventory of Personal Property.** The purpose of this review was to evaluate performance of annual personal property inventories and to determine whether the Corps Inventory Management Plan was fully implemented. The Inventory Management Plan had been implemented but the procedures for the annual personal property inventory needed improvement. The result was numerous delinquent inventories.



Management took action during the review to improve procedures. A subsequent follow-up verified that all required inventories had been brought up to date.

***Real Property Assets.*** The purposes of this review were to validate compliance with Corps policy changes on the valuation and reporting of real property assets and to evaluate the performance of real property inventories. IR found the policy changes had been implemented and inventories performed, but all the changes resulting from the physical inventories over about three years hadn't been entered in the appropriate database, due to the Corps conversion to a new financial management system. Management agreed to a deadline date to complete entering all the inventory changes.

***CIP - Project Cancelled.*** This QRA was to determine whether adequate management controls were in place. IR found CIP accounts (cancelled projects) that should be removed amounted to about \$15.5M. CEFMS problems prevented F&A from making the CIP transfers. IR recommended removal of these cancelled projects. Management concurred. These projects will be removed as soon as the CEFMS problem is resolved.

***CIP - Projects Financially Complete.*** This QRA was to determine whether adequate management controls were in place. IR found CIP accounts (financially complete) that should be removed amounted to about \$17.8M. CEFMS problems prevented F&A from making the CIP transfers. IR recommended action be initiated to remove financially completed projects that have been turned back to Host Nation; and to obtain HQs guidance on financially completed projects where accounting records are not adequate to prepare a final DD-1354. Management concurred. These projects will be removed as soon as the CEFMS problem is resolved.

***Transfer of Completed Costs from Construction-In-Progress.*** The Construction-In-Progress (CIP) account for civil works projects has not been routinely monitored. Subsequently the necessary cost transfers have not been completed. A plan is in place to ensure that the account is monitored and transfer actions completed. The CIP account for military projects has not had the necessary cost transfers completed timely. The oversight to ensure the cost transfers are completed timely was established in August 1999. Internal Review will conduct a follow-up review in November 1999 to ensure all corrective actions have been taken.

***Review of Accounts Receivables.*** This review was performed as a part of the District's CFO Maintenance Plan. IR's review was conducted to evaluate the effectiveness of the debt management relating to accounts receivables, specifically those over 180 days delinquent. Review determined that the District had not been effective in its collection efforts; consequently, delinquent accounts receivable over 180 days were not reduced as required. IR obtained listings of aged civil, military and revolving fund accounts receivable prepared by RM-F for the months December 1998 and February 1999 and reviewed them to determine actions taken to collect delinquent receivables. IR also obtained accounts receivable reconciliation reports. Collection efforts had intensified to some extent, but the process had not been in effect long enough or to the degree necessary to achieve the desired results of little or no

delinquent accounts receivable over 180 days old. Collection efforts at the District must be on-going once a receivable becomes delinquent and sustained until collected or otherwise resolved to include assistance from offices generating the receivable and Command involvement when necessary.

***Chaplain's Fund.*** The consolidated financial data for the Chaplain's Fund is being properly recorded and represents the financial operations of the funds 18 of 24 Bank Reconciliation Statements reviewed were not properly conducted. In accordance with generally accepted accounting standards established by General Accounting Office (GAO), the bank reconciliation statements generated by the Chaplain's Fund are not in compliance with accounting and financial reporting standards for the Federal Government. Eighteen Bank reconciliations prepared by the Chaplain's Fund do not show and are not based on the ending balance shown on the bank statement. Not properly conducting bank reconciliation leaves the financial system of the fund open to misuse and manipulation. Fixed Assets. Depreciation schedules and accumulated depreciation schedules are not being maintained for NAF property. AR 215-1 MWR and AR 215-5 (Nonappropriated Funds Accounting Policy and Reporting Procedures) provide the policy and method for accounting and computing depreciation expense. Depreciation schedules are not maintained because the Chaplain Automated Religious plan is impaired without identification of assets that have or will reach their useful service life.

## **Other**

***Audit of Management Practices.*** This audit was a partnership effort between Army Audit personnel and IR auditors. The audit focused on the management of public works and contract operations as well as a review of controls over collections in selected revenue producing activities within Command's community operations. The audit showed that Directorate of Public Works personnel did not conduct review and analyses of their maintenance operations; establish correct information in the automated systems used to manage real property; and review work performed to determine whether services were performed in the most economical manner. They also did not manage supply operations in the most effective manner; execute financial transactions properly; and fully implement family housing self-help resources. Requirements for goods and services were not identified, prioritized, and adequately defined. Also necessary contract administration measures such as preparing quality assurance surveillance plans; conducting inspections in accordance with the plan; and ensuring the contracts and orders were completed promptly, were not performed. Finally, operating personnel at the golf course were not adequately trained in the use of the automated system that was used to manage golf activities. Also, internal control procedures over inventories and cash collections were not adequately implemented.